Direct Farm Marketing in Ontario — A Primer

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Factsheet

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INTRODUCTION

Direct farm marketing requires being much more involved in the marketing and sale of a product to the end user — the consumer — than conventional primary production agriculture. Unlike traditional methods of selling products, such as wholesale into the marketplace, direct farm marketing allows for greater control by the producer into the production and selling of a product, including the ability to be a price maker – not a price taker.

FORMS OF DIRECT FARM MARKETING

Producers taking the direct farm marketing route have the opportunity to choose the type of operation they wish to pursue based on their product mix, skills and market access.

The most popular types of direct farm marketing include:

- on-farm activities such as roadside stands, farm markets/shops, pick-your-own operations and community-supported agriculture (CSA)
- off-farm activities such as being a vendor at one or several farmers' markets, selling through the Internet using mail order and direct delivery to specialty shops and restaurants

On-Farm Activities

Roadside/Farm Gate: An entry-level approach to direct farm marketing involving little capital investment, roadside/farm gate sales can be as simple as a wagon or as elaborate as a small shed located at the end of your driveway.

Farm Store/Market: The types of farm store/markets range from seasonal to a full-functioning, year-round country store, offering consumers an alternative to the supermarket. Success often depends on good research into the local market, products and ways to develop customer loyalty.

Pick-Your Own: These were very popular in the 1970s; those remaining have become unique and different. Many have added "edutainment" or "agritourism" targeting school groups and families or have expanded into special interest markets such as corporate picnics, film companies, etc. For further information on agri-tourism and/or edutainment, see the OMAFRA website.

Community-Supported Agriculture (On-Farm Pick-Up): In basic terms, CSA consists of a community of individuals who pledge support to a farm operation so that the farmland becomes, either legally or spiritually, the community's farm, with the growers and consumers providing mutual support and sharing the risks and benefits of food production. Members or shareholders of the farm or garden pledge in advance to cover the anticipated costs of the farm operation and the farmer's salary. In return, they receive shares in the farm's bounty throughout the growing season, as well as satisfaction gained from reconnecting to the land. Members also share in risks, including poor harvest due to unfavourable weather or pests.[1]

Off-Farm Activities

Farmers' Markets: There are over 200 farmers' markets in Ontario. They have regained popularity and are considered a community event. A full-season commitment to attend is required from the producer. Farmers' markets offer the customer variety. Quality customer service will build customer loyalty, bringing them back to your booth week after week.

Delivery to Specialty Shops and Restaurants: This approach takes research and commitment but allows producers to highlight their products. It also promotes domestic and local products in such places as grocery stores, restaurants, local events and attractions.

Ministry of Agriculture, Food and Rural Affairs

Ontario

Internet — Online Direct Order: The use of the Internet and online direct ordering is increasing. It requires background research and development. It can build customer loyalty for products and is not limited to time, space or geography. Niche marketing tends to work best.

Participating in these activities requires having a marketing mindset and being committed to building strong relationships with consumers who want to buy directly from a farmer.

The first step is to understand the marketplace and the business skills required for starting and maintaining a direct farm market operation. Start by answering the following questions:

- Do I or could I produce products that the consumer is interested in buying through a direct farm marketing channel?
- Are my family and/or employees interested in having direct contact with the consumer on the farm property?
- Is my farm property located near a population base or market large enough to support the direct farm marketing operation?
- Do I understand the type of consumer to target for my direct farm marketing business?
- What are the local bylaws, rules or regulations that apply once the farm moves beyond production agriculture into direct farm marketing?
- What customer service strategies can I use to build customer loyalty?
- Do I have interest and skills in the area of retail marketing and/or displays and storefront exhibits?
- How will I create curb appeal and deal with parking and other infrastructure needs such as public washrooms?
- How will I create an image through displays, signs, product mix and landscaping? What do I want that image to be?
- What is my risk management plan and incident reporting plan to deal with the unexpected, such as injury, fire or product damage and/or theft?
- Do I understand the importance of developing a comprehensive business plan to ensure I have considered: finances, human resources, social responsibility, production/operations, marketing, succession planning, etc.? (A step-by-step approach can be found in *Preparing Business Plans* on the OMAFRA website at www.ontario.ca/agbusiness.)

CURRENT MARKETPLACE OPPORTUNITIES — IS THERE A MARKET FOR SELLING MY PRODUCT OR SERVICE DIRECTLY TO THE CONSUMER?

In today's consumer-based and competitive marketplace, you must understand what the market wants, not what you think it should want. Ask yourself what the marketplace is looking for, rather than what you should grow or produce to make money. Learn to tell the difference between what is a fleeting trend and what will be a long-lasting product or service. With the recent consumer interest in local food, those who are currently operating a direct farm marketing venture, or are considering it, can benefit greatly by tapping into the right consumer base. Develop a marketing plan that will include conducting market research and analysis. Information on developing a marketing plan can be found on the OMAFRA website.

DIRECT FARM SALES — KNOW THE REGULATIONS

Direct farm marketing moves beyond primary production and wholesale marketing and is often referred to as value-added agriculture. Before investing in a direct farm marketing venture, be aware of what best management practices, applicable rules and regulations you will have to learn and adhere to.

Key considerations that may affect a direct farm marketing venture include:

Taxation

Moving beyond primary production agriculture to secondary activities or uses on the farm — such as retail, commercial or industrial uses — may result in a different tax assessment by the Municipal Property Assessment Corporation (MPAC).

Zoning/Bylaws

Each municipality or township planning department administers local zoning regulations and bylaws. Work with your local planning department and elected official(s) to understand what secondary uses are permitted in your area.

Signage

Directional and other types of signs advertising your business are important. Be sure to understand the sign bylaws within your local township county or municipality, as well as the required permits and regulations regarding signs and other commercial-

related activities along provincial highways. The Tourism-Oriented Directional Signing (TODS) Program, offered through the Ministries of Tourism and Transportation, enables and allows qualifying tourism operations to place their business signs along provincial roadways.

Public Health

If the public visits, purchases a product or takes part in an activity on your property, local public health requirements may apply.

Food Safety, Service and Processing

Food safety regulations will apply to your operation if food service or food processing — such as on-farm snack areas or selling baked goods and/or preserves — is done on your farm. Different sectors may have different regulatory requirements.

Registering Patents, Trademarks, Copyright

In some cases, you will want to protect the value-added product or service developed to ensure its success in the marketplace and keep competitors at bay. Register your product and investigate which intellectual property options are most suitable, including trademark, patent and/or copyright.

Human Resources

The scale of your value-added business may require you to employ staff. In this case, you will have to comply with provincial and national employment regulations and standards.

Marketing Regulations

Adhere to marketing regulations when marketing agricultural and food products in Ontario, both domestically and for export purposes.

CONCLUSION

Developing and operating a direct farm marketing business in Ontario can be rewarding for you and your customers. The trust and interest in farming and local food is not a passing trend, and those that invest the time and energy will reap the benefits.

RESOURCES

Subscribe to the OMAFRA Agricultural Business Update Newsletter at:
www.ontario.ca/agbusiness

Beyond Production Agriculture Business Information Bundle
www.ontario.ca/agbusiness

OMAFRA Factsheets
Developing an Agri-Tourism Operation in Ontario, Order No. 10-027
Preparing Business Plans, Order No. 08-051
Developing a Marketing Plan, Order No. 10-029

ENDNOTE

[1] United States Department of Agriculture. April 2010. Community Supported Agriculture.

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